NAVAL POSTGRADUATE SCHOOL
Monterey, California

THESIS

MARINE CORPS PERFORMANCE
UNDER THE PROMPT PAYMENT ACT

by

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June 1984

Thesis Advisor: S. S. Liao

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Marine Corps Performance Under the Prompt Payment Act

by

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Captain, United States Marine Corps
B.S., University of Southern California, 1972

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ABSTRACT

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TABLE OF CONTENTS

I. INTRODUCTION---------- 8

A. DISCUSSION---------- 8

B. NEED FOR THE STUDY---------- 9

C. PURPOSE OF THIS STUDY----------10

D. RESEARCH METHODOLOGY----------10

1. Literature Review----------11

2. Contacts----------11

3. Visits----------11

E. THESIS ORGANIZATION----------12

F. DEFINITIONS----------12

II. BACKGROUND INFORMATION----------16

A. HISTORICAL REVIEW----------16

1. General Accounting Office Reports----------16

2. Contractors' Reaction to Slow Payments-----18

3. Administrative Response----------19

4. Congressional Action----------20

B. THE PROMPT PAYMENT ACT----------21

C. IMPLEMENTATION PROCEDURES----------24

1. The Office of Management and Budget--------24

2. The Office of Secretary of Defense---------26

3. The Department of the Navy----------27

III. MARINE CORPS PERFORMANCE UNDER THE PROMPT PAYMENT ACT----------30

A. GENERAL----------30

B. APPROPRIATED FUND REPORTING----------30

C. NONAPPROPRIATED FUND REPORTING----------32

D. PERFORMANCE RESULTS BY QUARTER ----------34

E. SIGNIFICANT PROBLEM AREAS----------41

1. The Department of the Navy----------41

2. The Marine Corps----------43

F. SUMMATION----------45

IV. CONCLUSIONS AND RECOMMENDATIONS----------47

A. CONCLUSIONS----------47

1. Early Payments----------47

2. Late Payments----------48

B. RECOMMENDATIONS----------49

APPENDIX A - REASON CODES AND ASSIGNMENT CRITERIA------52

APPENDIX B - REPORT ON APPROPRIATED FUNDS----------57

APPENDIX C - PROMPT PAYMENT ACT REPORT----------59

APPENDIX D - REPORT FORMAT FOR APPROPRIATED FUNDS------60

APPENDIX E - DISBURSING STATION SYMBOL NUMBER----------61

APPENDIX F - ACCOUNTING CLASSIFICATIONS FOR INTEREST PAYMENTS----------62

APPENDIX G - REPORT ON NONAPPROPRIATED FUNDS (LFE)-----64

APPENDIX H - REPORT ON NONAPPROPRIATED FUNDS (MSF)-----66

APPENDIX I - DEPARTMENT OF THE NAVY BILL PAYING PERFORMANCE----------68

APPENDIX J - DEPARTMENT OF THE NAVY RECOMMENDATIONS AND TASKINGS----------76

LIST OF REFERENCES----------78

INITIAL DISTRIBUTION LIST----------80

I. INTRODUCTION

A. DISCUSSION

The Prompt Payment Act was signed into law on 21 May 1982. This Act resulted from Congressional Hearings into complaints by suppliers of goods and services to the government that there was a widespread practice of late payments by Federal agencies.

The Prompt Payment Act went into effect on 1 October 1982. On that date the new law required all Federal agencies to automatically pay an interest penalty to vendors on all late payments. This interest penalty was designed to compensate vendors for additional expenses associated with overdue government accounts.

It was emphasized at the Congressional Hearings that businesses preferred timely payments without interest over late payments with interest [Ref. 1]. Therefore, the interest payment provisions of the Act were to be viewed as a penalty for failing to pay bills on time. For that reason Congress anticipated that interest payments would be minimal, and stated that no additional funding would be provided for the purpose of paying interest.

To monitor the effects of the Act, Congress tasked the Office of Management and Budget (OMB) with establishing a control system that identifies late payments and reports the

reasons for late payments made by all Federal agencies. This report would be submitted annually to the Congress.

B. NEED FOR THE STUDY

Despite the provisions of the Prompt Payment Act and the directives from OMB, the Department of the Navy reported that during the first ten months of fiscal year 1983, Navy and Marine Corps paying offices spent in excess of $1 million in interest costs as a result of failing to pay vendors' bills when due [Ref. 2]. During that same period, bills totaling almost $800 million were paid significantly earlier than they were due [Ref. 2]. Both practices are contrary to Government-wide regulations which require that bills be paid when due - neither early nor late.

To put the cash management performance of the Navy and the Marine Corps in a better perspective, within the Department of Defense, during that same ten month period, the Navy and Marine Corps combined made 97% of the early payments, and 81% of the interest penalty payments [Ref. 2].

Separating Marine Corps performance from the combined Navy/Marine Corps performance shows that of the total number of interest payments (89,531) and the total value of interest payments $1.1 million), the Marine Corps accounted for only a small percentage in both cases - 8% and 4% respectively [Ref. 2]. However, Marine Corps interest payments were in excess of $56 thousand for fiscal year 1983 [Ref. 3]. Since

the law requires no additional funding be provided for interest payments [Ref. 4] these payments represent a significant loss of operational funds.

C. PURPOSE OF THIS STUDY

This study will present an analysis of the cash management performance of the Marine Corps during the eighteen months of operating under the requirements of the Prompt Payment Act. The emphasis of this study will be on early and late payments as defined by the Act. The specific questions that will be addressed are:

1. What were the number and dollar value of early payments made by Marine Corps designated paying offices during fiscal year 1983 and the first six months of fiscal year 1984?

2. What were the number of late payments and the amount of interest charges made by Marine Corps designated paying offices during this period?

3. What were the primary causes of early and late payments?

4. Does the analysis show a trend toward improvement in the reduction of early and late payments?

D. RESEARCH METHODOLOGY

Research for this study was accomplished by a review of applicable literature, contacts with officials at the Marine Corps Finance Center in Kansas City, the Accounting Branch at

Marine Corps Headquarters, and the Marine Corps Disbursing Inspection Team, and visits to two Marine Corps designated paying offices.

1. Literature Review

Documentation used in this study was obtained from the Office of Management and Budget (OMB), the General Accounting Office (GAO), the Department of Defense (DOD), the Department of the Navy (DON), and Marine Corps Headquarters. This documentation included FY83 combined Marine Corps reports, and monthly transmittal reports of early, late, and interest payments made by all Marine Corps designated paying offices.

2. Contacts

During this study contact with three related offices was established and maintained. First, this project got its initial start after meeting with members of the accounting section at Headquarters Marine Corps. Second, contact was made with the section at the Marine Corps Finance Center that compiles the monthly performance reports. Third, contact was made with the Disbursing Inspection team responsible for auditing designated payment centers.

3. Visits

Two informational visits were made to Marine Corps designated paying offices. The first visit was made to Marine Corps Base (MCB) Camp Pendleton, California. The second visit was made to Marine Corps Air Station (MCAS),

El Toro, California. The purpose of these visits was to obtain information on problems associated with early and late payments.

E. THESIS ORGANIZATION

Chapter II presents a historical review of the environmental conditions in both the private and public sectors that led to the passage of the Prompt Payment Act. This chapter also provides an explanation of the Act, discusses the directive from the Office of Management and Budget to all Department of Defense organizations concerning implementation of this Act, and highlights the directive from the Comptroller of the Navy.

Chapter III presents the results of the first eighteen months under the Act for the Marine Corps. These results have been divided into the categories and presented as quarterly results in order to be able to make a more accurate analysis of performance.

Chapter IV provides conclusions drawn from Chapter III, and makes appropriate recommendations.

F. DEFINITIONS

The appropriate definitions of terms to be used in reference to the Prompt Payment Act and related documents are as follows [Refs. 5 and 6]:

Acceptance. A formal certification that the goods or services have been received and that they conform to the terms

of the contract. This function is normally performed by a receiving activity.

Business Concern. Any person or organization engaged in a profession, trade or business and nonprofit entities (including state and local governments, but excluding Federal entities and foreign governments) operating as contractors. The terms vendor and contractor are synonymous in this study. This term excludes civilian employees and the military.

Contract. An enforceable agreement, including rental and lease agreements, orders under basic ordering agreements, and purchase orders between a Federal entity and a business concern for the acquisition of goods and services.

Due Date. The date on which Federal payment should be made.

Early Payment. Any payment made prior to the due date. For reporting purposes, only payments made five or more days prior to the due date are included as early payments in the required monthly report. Bills not subject to the Prompt Payment Act are always excluded from early payment classification.

Federal Agency. Same meaning as the term "agency" in section 551(1) of Title 5, United States Code. Also includes any entity which is operated exclusively as an instrument of an agency for the purpose of administering one or more programs of that agency. Defense nonappropriated fund activities are included in this definition.

Invoice. A written demand by a business concern for payment under the terms of a contract.

Late Payment. Any payment made after the specified due date and the appropriate grace period. Bills not subject to the Prompt Payment Act are always excluded from late payment classification.

Meat and Meat Food Products. Includes any perishable edible product (fresh, chilled, or frozen) derived from the slaughter of cattle, sheep, swine, horses, mules, and goats. Encompasses processed refrigerated meats such as luncheon meats, frankfurters, bacon, and ham. Excludes nonperishable meats, all mixed products (perishable or nonperishable), seafood, poultry, game, and dairy products.

Payment Date. The date on which a check for payment is made.

Paying Office. The activity designated in the contract for payment of invoices pursuant to that contract. Such an activity is always staffed with a disbursing officer or deputy disbursing officer. In most cases a paying office does not receive an invoice until the invoice has been approved for payment by some other activity.

Payment Window. The time between the fifth day prior to the due date and the expiration of the applicable grace period. A payment made within this period neither incurs interest nor is reported as an early payment.

Perishable Agricultural Commodity. Includes all fresh fruits and fresh vegetables of every kind and character whether or

not frozen or packed in ice. Excludes all fruits and vegetables which have been manufactured into articles of food of a different kind or character.

Proper Invoice. A bill or written request for payment provided by a business concern for property or services rendered, which includes

-- The name of the business concern and the invoice date.

-- The contract number, or other authorization for delivery of property or services.

-- The description, price, and quantity of the property and services actually delivered or rendered.

-- The shipping and payment terms.

-- Other substantiating documentation or information as required by the contract.

-- Name where practicable, title, phone number, and complete mailing address of the responsible official to whom the payment is to be sent.

Properly Approved Invoice. An invoice which has been approved for payment by a certification of acceptance. In most instances a receiving report accompanies the properly approved invoice to a paying office where payment is made.

Receiving Activity. The activity designated in the contract as the recipient of the goods or services specified in the contract. In most instances, the receiving activity must certify acceptance and provide appropriate accounting data before a payment can be made.

II. BACKGROUND INFORMATION

A. HISTORICAL REVIEW

1. General Accounting Office Reports

In 1978 the General Accounting Office (GAO) issued a report titled, "The Federal Government's Bill Payment Performance is Good But Should Be Better." This report stated that the Government's bill-paying performance was more often good than bad, but that lengthy delays did occur and that many contractors believed that they were not paid soon enough. The GAO found that, after adjusting for delays caused by contractors and other causes not attributable to Federal agencies, 30% of the Government's bills, covering 18% of the total dollar spent, were paid late. Based on figures provided by the OMB, these percentages represented approximately 9 million invoices paid late each year, or $23.4 billion in late payments. The GAO report concluded with specific recommendations aimed at improving bill payment practices and procurement regulations. The recommendations contained in the 1978 report, and addressed to the Director, Office of Management and Budget (OMB), together with the Departments of the Treasury and Defense and the General Services Administration included:

a. that Federal agencies include payment terms in each contract and purchase order.

b. that Federal agencies develop due date standards for major types of goods and services.

c. that the extended use of procedures for paying bills without a receiving report be explored.

d. that Federal agencies be authorized to use imprest funds to pay small bills on delivery.

e. that procedures be established on how close to the due date Federal agencies should schedule bills for payment.

f. that an evaluation program for monitoring bill payments be established.

In 1981 the GAO did a follow-up investigation [Ref. 7]. The investigation revealed that, despite a 3-year interim period in which to respond to the recommendations of the 1978 report, adequate corrective measures had not taken place. In a letter report to the Director of the Office of Management and Budget and the Secretary of the Treasury dated October 8, 1981, the GAO indicated that in performing its follow-up investigation, it had hoped to rely on information developed by the agencies since the 1978 report. However, the GAO was unable to ascertain with precision what improvements, if any, had been made. Neither the OMB nor the Department of the Treasury had developed adequate monitoring procedures to allow a quick determination of how good current bill-payment performance was, or if agencies had implemented regulations to improve bill-payment performance. According to the GAO, responsible agency officials were generally

unaware of whether their agencies were paying their bills when due.

2. Contractors' Reactions to Slow Payments

The problem of slow payments by the Federal Government combined with the high cost of borrowed money experienced by the business community during the late 1970's resulted in efforts by the private sector to push for remedial action through the Congress. As a result the Subcommittee on Legislation and National Security held hearings on the problem. The Subcommittee heard from a cross section of representatives of businesses and state and local governments that supply goods and services to Federal Agencies. Information received during the hearings contained in statements submitted for the record indicated that the business community was suffering unfairly because of inefficiencies in Federal bill-paying procedures.

Problems encountered by contractors supplying goods and services to Federal agencies were submitted for the record during the hearings. Some examples of these problems were [Ref. 1]:

a. Over twelve thousand dollars in receivables, that were 90 days old, were owed by the Federal government to a Connecticut company. Some unpaid invoices went back as far as one year.

b. Whirlpool added additional personnel just to handle "special" Government accounts at a cost of $55,000 per year,

or the equivalent of $1.2 million in terms of additional sales to offset the increased administrative costs.

c. The Collins and Aikman Corporation of Dalton, Georgia stated that over 35% of their Government accounts were paid on the average of 45.5 days late. In order to collect delinquent accounts, the company was required to place six to eight different calls before locating a Government employee who was able to tell the company why the invoice had not been paid.

d. Other companies stated that they would not provide goods and services to certain Federal agencies because of their payment practices.

3. Administrative Response

Despite the 1978 GAO admonitions and recommendations discussed earlier in this chapter, little corrective action had taken place at the time of its 1981 review. It was not until September 14, 1981 that David Stockman, Director of the Office of Management and Budget, issued a memo to all agency heads requesting that action be taken to improve the Government's bill-paying practices. In this memo Stockman urged that agencies take such action as necessary to:

a. Include specific payment terms in each contract or purchase order. Use standard 30-day payment terms as a norm.

b. Designate an individual who is responsible for payments. Make sure that responsibility for making payments and answering related inquiries is clear.

c. Include clear payment instructions and reference to any standard payment forms in each contract.

d. Improve compliance with the Treasury Fiscal Requirements Manual.

e. Make timely bill payment a criterion in employee performance appraisals.

4. Congressional Action

After receiving numerous complaints that the Government fails to pay its bills on time, Congressman Jack Brooks, Chairman of the Committee on Government Operations, together with Congressmen Frank Horton and Glenn English, introduced in the House of Representatives legislation that would later become Public Law 97-177, or the Prompt Payment Act. Hearings on the proposed legislation were held by the Subcommittee on Legislation and National Security on December 2, 1981, and January 26, 1982. The following suggestions were from witnesses who testified during the Subcommittee's hearings [Ref. 1]:

a. All Government purchase orders should include the place to which goods are to be delivered.

b. All Government purchase orders should include the name and phone number of the proper procurement official and the proper payment official.

c. Agencies should achieve greater utilization of the latest technology.

d. The certification process for recurring services should be simplified.

e. The number of people involved in the chain of approval for bill payment should be reduced.

f. Include in the contract specific standards for contract performance.

g. Give the disbursing officers more flexibility in paying invoices as is the practice in private industry.

h. Development of payment due date standards (for specific categories of products and services) would be of great assistance.

i. Allow payment based on proof of delivery of the goods furnished by the contractor.

In March of 1982, The Prompt Payment Act, H.R. 4709, amended, to require the Federal Government to pay interest on overdue payments passed by a yea-and-nay vote of 396 yeas, 0 nays, 37 not voting. Subsequently, this passage was vacated and S. 1131, a similar Senate-passed bill was passed in lieu after being amended to contain the language of the House bill. On May 21, 1982, the Prompt Payment Act was signed into law.

B. THE PROMPT PAYMENT ACT

The Prompt Payment Act requires every Federal agency to pay an interest penalty on the amounts owed to business concerns for the acquisition of goods or services when the agency does not pay on time. Unless the required payment

date is stipulated in the contract, this means paying most proper invoices within 30 days of receipt or acceptance of goods or services, whichever is later, to avoid the payment of interest penalties. In the case of meat and produce, it would mean paying within 7 days after delivery for meat, and 10 days after delivery for produce.

Interest Penalties. Use of the word "penalty" in the context of the Prompt Payment Act connotes inefficient management. The necessity for agencies to make interest payments on overdue bills should serve to increase the visibility of inefficient procedures and unproductive employees so that appropriate action can be taken.

Claims For Interest. The Act intends that Government agencies will automatically be obligated to pay interest penalties without the necessity for business concerns to take action to collect such payments.

Applicable Interest Rates. The applicable interest rate will be established by the Secretary of the Treasury and published in the Federal Register. This rate is referred to as the "Renegotiation Board Interest Rate," and is published semiannually on or about January 1 and July 1.

No Additional Appropriations Authorized. When an agency is obligated to pay interest penalties, the Act requires that such penalties must be paid from funds appropriated for the program under which the penalty originated.

Notification To Vendors Of Defective Invoices. Agencies are required to notify vendors within 15 days after receipt of an invoice of any errors in that invoice. Notification within this time period will have the effect of deferring the interest-free period until the vendor returns the proper invoice.

Grace Periods. The Act provides that if agencies pay their bills within a certain period of time after the due date interest penalties need not be paid. The grace period is 15 days for all goods and services with the exception of meat (3 days) and produce (5 days). However, if the bill is not paid within the grace period, the interest penalties revert back to the due date.

Limitation On Discount Payments. The Act states that agencies may not take discounts from amounts due vendors when agencies do not pay their bills within the discount period. When a agency takes an unearned discount, it will be obligated to pay interest on the amount of the discount improperly taken.

When An Invoice Is Deemed To Have Been Received. An invoice is deemed to have been received when it is actually received in the proper payment center or when the goods or services are accepted by a Federal agency, whichever is later.

Special Treatment For Meat And Produce. Federal agencies must pay for meat or meat food products within seven days after the date of delivery; interest penalties need not be paid if payment for the item acquired is made during a

subsequent three-day grace period. Agencies must pay for perishable agricultural commodities within ten days with a five-day grace period.

Exclusion of Utility Bills. Utility contracts or bills which do not contain their own due dates or late payment charges are subject to both the PPA and to cash management regulations. If due dates or late charges are established by tariff or a state regulating commission, the bills are not reported as being subject to the PPA. These bills should be paid by the established due date, and if late payment charges occur, they will be reported as interest payments.

Payments to Foreign Governments. Foreign governments will not receive interest on late payments. Payments made to foreign governments will not be reported as being subject to the PPA.

C. IMPLEMENTATION PROCEDURES

1. The Office of Management and Budget

In August of 1982 the Office of Management and Budget (OMB) issued Circular No. A-125 [Ref. 8] on the Prompt Payment Act. This circular prescribed the policies and procedures to be followed by executive departments and agencies in paying for property and services acquired under Federal contract.

The OMB established the policy that agencies would make payments as close as possible to, but not later than, the due date, or if appropriate, the discount date. Payment would

be based on receipt of proper invoices and satisfactory performance of contract terms. Agencies would take discounts only when payments were made within the discount period. When agencies take discounts after expiration of the discount period or fail to make timely payment, interest penalties would be paid. Agencies would pay interest penalties without the need for business concerns requesting them, and would absorb interest penalty payments within funds available for administration or operation of the program for which the penalty was incurred.

Responsibility for assuring timely payments and the payment of interest penalties where required was placed with each agency head. Each agency head was also responsible for issuing internal instructions, as necessary, to implement the provisions of the OMB Circular. The instructions would include provisions for determining the causes of any interest penalties incurred, and for taking necessary corrective action. Inspectors General and internal auditors would make reviews of implementation, as they and the agency head deemed appropriate.

Reporting procedures would require each Federal agency to report to the Director of OMB within 60 days after the end of each fiscal year the following information [Ref. 8]:

a. The number of interest penalties paid.

b. The dollar value of interest penalties paid.

c. The relative frequency, on a percentage basis, of interest penalty payments to total number of payments.

d. The number, total amount, and relative frequency, on a percentage basis, of payments made 5 days or more before the due date, except where cash discounts were taken.

e. The reasons that interest penalties were incurred.

f. An analysis of the progress made from previous years in improving the timeliness of payments.

2. The Office of Secretary of Defense

The Office of the Secretary of Defense (OSD) stated that as a general rule all defense activities were expected to pay their bills on time to avoid the payment of interest charges [Ref. 9]. If interest payments were required they would be funded from current operation and maintenance accounts of the service or agency responsible for payment of the invoices. Funds to finance these interest payments were to be maintained at the paying offices or controlled centrally at the service or agency level. Component heads were tasked with executing periodic reviews to determine the causes of late payments and implementing corrective action. Organizations were required to incorporate reviews of the requirements of the PPA into current internal audits.

OSD also specified reporting requirements. All services were required to submit an annual report to the

Washington Headquarters Services, Directorate of Information Operations and Reports. This report would consolidate all interest payments made during the preceding fiscal year by all bill paying agencies under the operational control of each reporting activity. This report would be submitted within 50 days of the end of the fiscal year. Within each report, each interest payment would be categorized according to reason codes. This categorization would be accomplished in accordance with the table of Reason Codes and Assignment Criteria found in Appendix A.

3. The Department of the Navy

The Navy, in accordance with directives from OSD, established a central fund in the form of an open account for all interest payments. The funds for this account would come from Operation and Maintenance funds. The account would be administered by the Naval Supply Command under budget category BA7.

The Marine Corps would also establish a centralized fund for paying interest charges. Responsibility for administering this fund was placed with the Commandant of the Marine Corps.

The accounting procedures for interest payments are identical for both the Navy and Marine Corps. In all cases the paying office would identify the activity responsible for the late payment and assign an appropriate reason code.

Each reason code would be considered mutually exclusive. The format for accounting classification for interest payments is in Appendix F. Paying offices would be required to maintain detailed records in support of their determinations, and would make these records available upon request of any activity determined to have caused a late payment.

Reporting procedures for the Marine Corps required Marine Corps disbursing offices to forward a required report by the 15th calendar day of the month to the Commanding Officer, Marine Corps Finance Center. The individual reports would be consolidated into one monthly report identifying each designated paying center by its DSSN (Disbursing Station Symbol Number) as to the number and dollar value of invoices paid, the number and dollar value of invoices subject to the Act, and the number and dollar value of invoices paid early. This consolidated report would then be forwarded to the Commandant of the Marine Corps. An example of this report is in Appendix D. All late payments and interest charges would be calculated and recorded at the FDA Headquarters Marine Corps from the data extracted from the accounting classifications.

Reporting requirements for appropriated and nonappropriated funds are required annually. Nonappropriated funds are divided into Morale Support Division and LFE. LFE is the accounting code for Marine Corps Exchanges. Appropriated, nonappropriated (MSD), and nonappropriated (LFE) summary reports for fiscal year 1983 are listed in the appendixes and discussed in the next chapter.

In summary, all interest payments paid by Navy paying offices would be charged to the appropriation Operation and Maintenance, Navy; interest payments paid by Marine Corps paying offices would be charged to the appropriation Operation and Maintenance, Marine Corps. Marine Corps reporting requirements start at the designated paying offices, are forwarded to the Marine Corps Finance Center for first step consolidation, and then forwarded to FDA at Marine Corps Headquarters for final consolidation and action.

III. MARINE CORPS PERFORMANCE UNDER THE PROMPT PAYMENT ACT

A. GENERAL

This chapter will present Marine Corps performance under the provisions of the Prompt Payment Act for fiscal year 1983 with additional information on the first two quarters of fiscal year 1984. Significant problem areas uncovered by Navy and Marine Corps Audits will also be presented.

B. APPROPRIATED FUND REPORTING

The report on appropriated funds for the fiscal year 1983 is listed in Appendix B. The information for this report is extracted from two sources. The first source is the Marine Corps Prompt Payment Act Report (Appendix C). This report is completed monthly by the Marine Corps Finance Center from individual reports (Appendix D) submitted by the nineteen Marine Corps designated payment centers (Appendix E). Totals for the number and dollar value of all invoices paid, the number and dollar value of invoices subject to the Prompt Payment Act, and the number and dollar value of all invoices paid early are provided by each center. The Marine Corps Finance Center does not verify the figures provided by each designated payment center [Ref. 10]. Thus, the accuracy of the Prompt Payment Act Report depends on the accuracy of the figures provided by each payment centers.

The number of late payments, the dollar amount of interest penalties, and the reason codes for the late payments are provided from a second source of information. The Fiscal Division (Accounting) at Marine Corps Headquarters manually extracts these figures from accounting data submitted by the individual payment centers. Appendix F lists the format of this report.

NAVCOMPTINST 7200 allowed paying offices to estimate for the first quarter of fiscal year 1983 the number and dollar value totals for the required monthly report. Figures reported for these first three months indicate that paying offices may have misinterpreted what limited guidance was provided. The number of early payments made during the first two quarters of fiscal year 1983 represents 84% of all early payments made that year. One paying activity made over 80% of the early payments reported in the first quarter. In addition, this paying activity reported an early payment amount that exceeded the amount reported as applicable to the Prompt Payment Act [Ref. 11].

The majority of late payments were made by five designated paying centers. The following Table lists the dollar amount and percentage of total for the 1983 fiscal year (FY). All figures are rounded to the nearest dollar.

Table 1

Interest Payments by Payment Center For FY 1983

	FY 1983	Percentage of Total
Payment Center #1:	$29,301	52%
Payment Center #2:	7,407	13%
Payment Center #3:	6,196	11%
Payment Center #4:	5,882	11%
Payment Center #5:	3,831	7%
All Others:	3,394	6%
Totals	$56,009	100%

The large amount of interest penalty payments for payment center number 1 can be explained by its designations as a central payment center for a wide dispersion of field commands that utilize this center for disbursing functions. Also, during this time, many of the interest penalties paid by this center were on overdue utility bills. Initially interest penalties were paid on utility bills reflecting due dates of less than 30 days. Clarifying guidance provided by Marine Corps Headquarters stipulated that payment centers were to use the 30 day time criteria regardless of due dates reflected on invoices.

C. NONAPPROPRIATED FUND REPORTING

Nonappropriated fund reporting is divided into two segments. The first segment is for all Marine Corps

Exchanges. This does not include reports from Marine Corps Commissaries (appropriated funds). The fiscal year 1983 report for nonappropriated funds is listed in Appendix G.

The high number of early payments (150) was due to the paying procedures at one Marine Corps Exchange [Ref. 12]. This Exchange was paying invoices upon receipt instead of paying them on the due date.

The high number of late payments attributed to receiving documentation delay by the receiving activity (315/80%) and delays by the paying office (67/17%) was due to the document receiving procedures at two Marine Corps Exchanges [Ref. 12]. These procedures have been changed to ensure timely processing of receiving documents.

The second reporting section of nonappropriated funds is the combined categories II, III, V, and VII. Category II represents the consolidated package stores. Category III is recreational funds. Category V is clubs, both officers and enlisted. Category VII is CCMS, or the Command Club Management System. The consolidated report for FY 1983 is located in Appendix H.

The high number of early payments (6,538/15.6%) was the result of misinterpreting the intent of the Act [Ref. 13]. This misinterpretation combined with the lack of clarifying guidance from higher authorities during the first few months of implementation of the Act, resulted in paying a majority of invoices early to avoid the possibility of interest

charges. This problem has been largely corrected due to non-appropriated funds financial managers becoming more familiar with the intent of the Act.

D. PERFORMANCE RESULTS BY QUARTER

This section presents figures on Marine Corps performance for the period 1 October 1982 through 31 March 1983. The figures are presented by quarter to enable the reader to make a comparison.

Two important factors must be considered when looking at these figures in determining a trend analysis. First, as mentioned earlier, because there was little published guidance for field activities on accounting and reporting procedures until February 1983, the first quarter figures are estimated and should probably be eliminated. The second factor is that the totals are from figures submitted by each designated payment center and there may be significant discrepancies between reported and actual amounts [Ref. 14].

The reported reason codes for late payments are presented in Tables 3 and 4. Table 3 reflects the assignment of reason codes for each quarter. Table 4 totals the reason codes for the six quarters. Again the important thing to remember is that assignment of the reason codes is the responsibility of the designated payment center. Verifying the correct use of reason codes is the responsibility of Marine Corps Audit Teams. Audit Teams have reported significant discrepancies in the correct use of reason codes [Ref. 14].

Table 2

Cash Management Figures By Quarter

(1 October 1982 - 31 March 1984)

Number of invoices paid:

1st FY83	2nd FY83	3rd FY83	4th FY83	1st FY84	2nd FY84
348,973	142,501	155,228	148,643	146,289	150,853

Number of invoices subject to the Prompt Payment Act:

1st FY83	2nd FY84	3rd FY83	4th FY83	1st FY84	2nd FY84
71,695	84,261	127,044	128,014	125,294	132,928

Percentages of invoices subject to the Prompt Payment Act:

1st FY83	2nd FY83	3rd FY83	4th FY83	1st FY84	2nd FY84
78%	59%	82%	86%	86%	88%

Dollar value of all invoices paid (in $ millions):

1st FY83	2nd FY83	3rd FY83	4th FY83	1st FY84	2nd FY84
$328.2	$428.6	$423.2	$429.4	$407.5	$415.6

Dollar value of all invoices subject to the Act (in $ millions):

1st FY83	2nd FY83	3rd FY83	4th FY83	1st FY84	2nd FY84
$63.7	$128.3	$169.2	$180.9	$189.4	$180.0

Percentage of dollars paid subject to the Prompt Payment Act:

1st FY83	2nd FY83	3rd FY83	4th FY83	1st FY84	2nd FY84
19%	30%	40%	42%	47%	43%

Number of invoices paid early:

1st FY83	2nd FY83	3rd FY83	4th FY83	1st FY84	2nd FY84
2432	1228	510	200	60	57

Percentage of invoices paid early:

1st FY83	2nd FY83	3rd FY83	4th FY83	1st FY84	2nd FY84
0.9%	1.5%	0.4%	0.15%	0.05%	0.04%

Dollar value of invoices paid early:

1st FY83	2nd FY83	3rd FY83	4th FY83	1st FY84	2nd FY84
$9,822,296	$2,134,203	$764,499	$483,766	$185,528	$160,343

Percentage of dollars paid early:

1st FY83	2nd FY83	3rd FY83	4th FY83	1st FY84	2nd FY84
15.0%	1.7%	0.5%	0.3%	0.09%	0.09%

Number of invoices paid late:

1st FY83	2nd FY83	3rd FY83	4th FY83	1st FY84	2nd FY84
63	3120	3227	2824	1830	4913

Percentage of invoices paid late:

1st FY83	2nd FY83	3rd FY83	4th FY83	1st FY84	2nd FY84
0.2%	3.7%	2.5%	2.2%	1.5%	3.7%

Dollar amount of interest payments:

1st FY83	2nd FY83	3rd FY83	4th FY83	1st FY84	2nd FY84
$415	$19,384	$17,535	$18,595	$15,902	$43,436

Table 3

Reason Codes for Late Payments By Quarter

(1 October 1982 - 31 March 1984)

Reason Code	1st FY83	2nd FY83	3rd FY83	4th FY83	1st FY84	2nd FY84
A.	1	7	25	22	14	101
B.	42	1945	2270	2060	1232	4126
C.	0	8	55	17	16	38
D.	6	351	182	287	221	296
E.	0	0	0	0	0	0
F.	0	0	1	0	0	3
G.	0	1	0	1	0	0
H.	2	0	3	7	0	11
J.	0	198	248	283	101	158
K.	12	610	443	147	246	180
Totals	63	3120	3227	2824	1830	4913

Table 4

Reason Codes for Late Payments

(1 October 1982 - 31 March 1984)

Reason Code		Number
A.	Contract not available	170
B.	Receiving documentation delay	11,675
C.	Certification delay	134
D.	Paying office delay	1,343
E.	Military exercise	0
F.	Discount taken in error	4
G.	Defective invoice	2
H.	Automated system delay	23
J.	Postal Service delay	998
K.	All others	1,638
	Totals	15,987

Table 5

Reason Codes for Late Payments By Quarter -

Percentage of Total

(1 October 1982 - 31 March 1984)

Reason Codes	1st FY83	2nd FY83	3rd FY83	4th FY83	1st FY84	2nd FY84
A.	1%	1%	1%	1%	1%	2%
B.	67%	62%	70%	73%	67%	84%
C.	0	1%	2%	1%	1%	1%
D.	10%	11%	6%	10%	12%	6%
E.	0	0	0	0	0	0
F.	0	0	0	0	0	0
G.	0	0	0	0	0	0
H.	3%	0	0	0	0	0
J.	0	6%	8%	10%	6%	3%
K.	19%	19%	14%	5%	13%	4%
Totals	100%	100%	100%	100%	100%	100%

Table 6

Reason Codes for Late Payments -

Percentage of Total

(1 October 1982 - 31 March 1984)

Reason Code	Percentage of Total
A. Contract not available	1%
B. Receiving documentation delay	73%
C. Certification delay	1%
D. Paying office delay	9%
E. Military Exercise	--
F. Discount taken in error	--
G. Defective invoice	--
H. Automated system delay	--
J. Postal Service delay	6%
K. All others	10%
Total	100%

Tables 5 and 6 present percentage of total figures for the use of reason codes. Table 5 gives the percentages of total by quarter and Table 6 gives the percentage of total for the six quarters.

The four tables on reported reason codes for late payments indicate that the majority of late payments result from receiving documentation delay. Receiving documentation delay is the responsibility of the receiving activity. The problem is that receiving activities are not forwarding correct and complete invoices to the payment centers in the alloted time frame. Payment centers are either receiving overdue invoices, or they are receiving invoices without the required information.

E. SIGNIFICANT PROBLEM AREAS

1. The Department of the Navy

The Department of the Navy (DON) published performance information [Ref. 2] from data accumulated during the first nine months of operation under the provisions of the Prompt Payment Act and other related directives. This information can be found in Appendix I.

The information presented in Appendix I shows that the Department of the Navy bill paying performance was the biggest single source for early and late payments in the Department of Defense (DOD). The DON made 97% of the early payments and 81% of the late payments within DOD. Looking at bill paying distribution, the DON paid 21% of its bills

early and 4% of its bills late. This represented 474,219 invoices totaling $790 million paid early and 89,531 invoices amounting to $1.1 million paid late.

Separating the Marine Corps from the DON shows that the Marine Corps represented 12% of the DON's total bills subject to the Act, but only accounted for 2% of the early and 8% of the late payments.

This performance led the Navy to conduct an investigation of some of their major bill paying centers. The results of their investigation found numerous problems in implementing the Prompt Payment Act. Some of these problems were:

a. Invoices do not reflect accurate dates for both acceptance of the goods and the date the invoice is received.

b. There are unacceptable delays in forwarding certified invoices to the paying activity.

c. There are numerous instances where excessive processing time has been used for receipt and acceptance.

d. Reason codes for late payments are not accurate.

e. Naval activities are not notified when the timeliness/completeness of document submission is delinquent.

In an attempt to correct these problem areas, the Department of the Navy took the following action:

a. Issued an ALNAV [Ref. 15] highlighting the problems associated with the Prompt Payment Act and the need for improvement.

b. Sent a message to major bill paying activities stressing early payment problems and directing remedial action.

c. Sent monthly letters from the flag level to management commands reporting unsatisfactory performance. These letters requested investigations and feedback of corrective actions taken.

d. A personal letter from the Deputy Under Secretary of the Navy (Financial Management) to the management commands requesting management attention to the problems of early and late payments.

e. A directive from the Deputy Under Secretary of the Navy (Financial Management) that bill paying performance be included in the inspection criteria of the Naval Audit Service and the Navy Inspector General.

The Department of the Navy also issued recommendations and taskings to improve performance under the Prompt Payment Act. These recommendaitons are listed in Appendix J.

2. The Marine Corps

The following information was extracted from 10 published reports by the West Coast Marine Corps Disbursing On-Site Exam Team. The criteria for designating a problem area significant depended on the frequency of the problem. If two or more disbursing offices experienced difficulties in a particular area then this area was listed as a significant problem area.

a. Disbursing officers have no procedures established to identify invoices not received within a maximum of five working days following certification of acceptance of goods or services. In addition, they have no established procedures to notify commands when timeliness/completeness of invoices are not in accordance with established guidelines.

b. Invoices are not stamped with the date and time of receipt by the disbursing office, or any other office which may have processed the invoice. Also the stamp in many cases does not identify the name of the organization which processed the invoice.

c. Receiving activities are not showing the following information on all invoices:

(1) The date the invoice was received.

(2) The date goods/services were received and the UIC of the receiving activity.

(3) The date goods/services were accepted and the UIC of the accepting activity.

(4) The date the certified invoice is forwarded to the paying office.

d. The record of lost discounts does not identify each such invoice and show the activity responsible for the lost discount.

e. The records of lost discounts are not reviewed monthly and activities responsible for continually losing mandatory discounts are not notified.

f. The disbursing officer is not reviewing the record of lost discounts at least every six months to identify and take appropriate corrective action on those activities that continually lose mandatory discounts.

g. The disbursing officer does not have procedures established to ensure invoices are received when due, neither earlier nor later.

h. Prompt Payment Act reports submitted to the Marine Corps Finance Center do not contain an accurate number and dollar value of total invoices paid.

i. The disbursing officer does not maintain a copy of the Government's Consolidated Payment Hold-up List.

In response to their findings the Marine Corps Audit Team issued the following recommendations:

a. That the disbursing officer review all references concerning the Prompt Payment Act and institute or implement procedures where appropriate to ensure vouchers are paid on in the correct time frames.

b. That the disbursing officer submit a quarterly report to the commander that recaps all lost discounts and interest payments. The recap should also include all circumstances that caused these losses to the Government.

F. SUMMATION

In summary, this chapter looked at the performance of the Marine Corps under the Prompt Payment Act. Reports on

appropriated and nonappropriated funds for fiscal year 1983 were presented. These reports highlighted some problem areas where corrective action has taken place.

Marine Corps bill paying performance for the first six quarters the Act was in effect was summarized and presented in tables. Table 1 showed that 95% of all interest payments during FY83 were made by five designated payment centers.

Table 2 presented figures on early and late payments. This table showed a significant improvement in the number of early payments Marine Corps payment centers were making. Table 2, however, confirmed the fact that the problem of late payments continues. After reporting 1830 late payments for the first quarter of FY84, a significant reduction from previous quarters, reported late payments rose to 4913. This increase was due to a new policy at a major bill payment center that is now returning all improperly stamped invoices to the receiving activities.

Tables 3 through 6 showed that over 70% of these late payments are attributed to receiving documentation delay.

Department of the Navy statistics presented in Appendix I highlighted the problems of the DON within the DOD. Marine Corps bill paying performance is not a major factor in the poor bill paying performance of the DON.

The final section of the chapter outlined significant problem areas discovered by Navy and Marine Corps Audits. This section also presented several recommendations.

IV. CONCLUSIONS AND RECOMMENDATIONS

A. CONCLUSIONS

The purpose of this thesis was to evaluate the cash management performance of the Marine Corps during the first eighteen months of operating under the requirements of the Prompt Payment Act and other related directives. The evaluation was an attempt to determine if trends of improvement in reported early and late payments existed. This approach was adopted because the Act had been in effect for only eighteen months and it was determined that this was not enough data to develop an accurate forecasting model.

1. Early Payments

Reported early payments have shown a significant trend of improvement for the period covered in this study. Early payments declined from a reported figure of 2432 for the first quarter of fiscal year 1983 to just 57 for the second quarter of fiscal year 1984. This is due to two factors. First, while the intent of the Prompt Payment Act was to encourage Federal agencies to pay their bills on time, the emphasis was on reducing late payments. In issuing implementation instructions, OMB went beyond the requirement of the legislation by initiating a report of payments made five or more days early. Limited guidance from the Department of Defense led the Services to instruct their payment centers to focus on reducing or preventing late payments.

As a result not much emphasis was placed on preventing early payments during the first few reporting periods.

The second reason for the reduction in reported early payments is that these payments are significantly easier to control than late payments. Payment centers can and have instituted procedures to reduce early payments to a minimum. Most of the early payments reported in the past few months have resulted from making payment on an incorrect of incomplete invoices. Thus, the problem of early payments should remain an insignificant percentage of invoices paid.

2. Late Payments

Late payments continue to deter from the cash management performance of the Marine Corps. The presentation in Chapter III showed that over 95% of the interest penalties are paid by 5 Marine Corps payment centers. Two of these centers are designated as central payment centers for Marine Corps worldwide commands. Thus, the timely receipt of invoices to meet payment deadlines presents a problem at these centers. The remaining three payment centers are field commands.

The biggest reported reason for late payments continues to be the problem of correct and timely documentation transfer between the receiving activities and the designated payment centers. Despite all the attention directed in this area, receiving activities are still recording excessive delays in the processing of invoices. Payment centers are

not only receiving invoices past the due date, but a good proportion of the invoices they do receive lack the required information needed to make payments in accordance with the requirements of the Prompt Payment Act.

The number and percentage of reported late payments had been on a steady decline until the second quarter of fiscal year 1984. As mentioned in Chapter III, during this reporting period a major payment center started returning to receiving activities all invoices that did not comply directives on proper invoice submission. This action resulted in an increase in the number and dollar amount of interest payments. This should be only a short term increase, and this action by the payment center may well reduce future late payments by forcing receiving activities to comply with existing instructions on processing invoices.

B. RECOMMENDATIONS

The key to reducing late payments is to correct the problems of documentation both at the receiving activity and the payment center. Since 95% of the late payments continue to be made by only five payment centers the emphasis should be placed on solving the documentation problems at these payment centers. Alternatives to the current approach could be:

1. Charge interest payments directly to the budget of commands that continually cause late payments through poor management practice either at receiving activities or payment

centers. The central fund concept of interest payments (payments made from a general fund at Marine Corps Headquarters) is easier to manage, but it doesn't directly affect those activities responsible for the late payments.

2. Assign a disbursing officer/representative at selected receiving activities in an attempt to improve documentation procedures. This recommendation could be attempted on a trial basis at one of the three field commands that are experiencing numerous late payments due to documentation problems.

3. Ensure all receiving activities are using an approved/authorized stamp for processing invoices. There should be only one approved/authorized stamp and one procedure for processing invoices.

4. The correct use of reason codes is essential to controlling late payments. Corrective action should be directed toward reducing the causes associated with frequently used reason codes. Therefore, external audits should be performed to ensure correct use of these codes.

5. The reason code category "All others" represented the second highest use for the eighteen month period. The possibility exists that there are a significant number of reasons for late payments that do not apply to the existing codes and payment centers are assigning the reason code "All others." The possibility also exists that payment centers are using this code to prevent assigning direct

responsibility for late payments. Therefore, additional study should be directed into the use of this reason code.

APPENDIX A

REASON CODES AND ASSIGNMENT CRITERIA

Ref 5 states that the following one-character alphabetic codes are to be used to identify the primary reason that an interest payment was made. This reason code will always appear in the first portion of the cost code field in the accounting classification. The unit identification code (UIC) of the responsible activity will be reflected in the property accounting activity (PAA) field.

I. Reason Codes for Late Payments.

A Contract not available

B Receiving documentation delay

C Certification delay

D Paying Office delay

E Military exercise in progress

F Discount taken in error

G Delay in returning defective invoice

H Automated system delay

J Postal Service delay

K All others

II. Assignment Criteria.

A. Contract, including amendments, not available in paying office. This is the responsibility of the contracting office. This code will be used if the request for the missing document was made ten or more calendar days prior to

the expiration of the applicable grace period, and the document has not been received by the close of business of the sixth working day preceding the last day of the grace period.

B. Receiving documentation delay by the receiving activity. This is the responsibility of the receiving activity. This code can be used under two different circumstances:

1. A request for the missing documentation was placed ten or more calendar days prior to the expiration of the applicable grace period and the required documentation had not been received prior to the close of business on the sixth working day preceding the last day of the grace period.

2. More than five working days elapsed between the date of acceptance of the goods and services and the receipt in the paying office of the approved invoice and receiving report, and this delay allowed the paying office less than fifteen calendar days to effect payment prior to the expiration of a fifteen day grace period (five or more calendar days prior to the expiration of shorter grace periods).

C. Delay to obtain required certification of invoice. This is a receiving activity responsibility. It applies only when the contract provided for a specified period of time to accept the goods or services, this time period was exceeded, and the paying office was permitted fifteen

calendar days or less to effect payment without incurring interest charges.

D. Delayed by paying office. This is a paying office responsibility. This code is used whenever either of the following two circumstances apply:

1. A bill properly payable was received fifteen calendar days or more prior to the expiration of the fifteen day grace period or five calendar days or more prior to the expiration of the shorter grace periods.

2. The provisions of Codes A, B, C, or E would have applied except that the properly payable bill was received in the paying office prior to the time specified in the description of those codes.

E. Military exercise in progress. This code is proper for use only in peacetime when the activity cannot be contacted by the paying office for information necessary to effect payment (accounting data, certification of receipt) due to the restrictions on the use of telephone or message communication, and the request is sent by mail at least ten calendar days prior to the expiration of the grace period, and the information when obtained by mail or after lifting the restrictions is received after the close of business on the sixth working day preceding the last working day of the grace period.

F. Discount taken in error. This is a paying office responsibility, except when the receiving activity supplies

an erroneous date upon which the paying office relies in taking the discount. The code is used whenever it has been determined that a discount was wrongfully taken, and full payment was not made within the specified period.

G. Failure to notify vendor of defective invoice. This code can apply to either the receiving activity or the paying office. In either instance it applies only if the number of calendar days between the date of the invoice receipt and the date of the rejection exceeds the maximum allowable number (fifteen in most cases), and that this excess is equal to or greater than the number of calendar days by which actual payment exceeded the expiration of the grace period.

H. Automated system processing delay. In order for this code to be appropriate, the documented delay in calendar days must equal or exceed the number of calendar days beyond the expiration of the grace period on which payment was made.

J. U. S. Postal Service delays. This code applies only if none of the circumstances described in any of the other codes apply and there is at least a seven calendar day gap between the documented mailing of the invoice by one activity inside the United States and the documented receipt of that same invoice by another activity in the United States, and payment exceeds the grace period by four days or less. If either the sending or receiving activity is outside the

United States, the documented mailing time must be at least fifteen days, and the payment date must be no more than eight calendar days beyond the expiration of the grace period.

K. All others. This code can be used at the discretion of the paying office, and may go so far as to include instances in which the facts lack sufficient clarity to permit a determination of why the payment was late. Any use of this code must be thoroughly documented by the paying office and available for inspection upon request.

APPENDIX B

REPORT ON APPROPRIATED FUNDS

Paying Activity Name CMC CONSOLIDATED

Fiscal Year: 1983

1.	Number of invoices paid	795,345
2.	Dollar value of all payments	$1,609,572,367
3.	Number of invoices subject to PPA:	611,014
4.	Dollar value of payments subject to PPA:	$542,127,048
5.	Number of invoices paid early	4,370
6.	Percentage of invoices paid early:	0.72%
7.	Dollar value of early payments:	$13,204,764
8.	Number of invoices paid late:	9,234
9.	Percentage of invoices paid late:	1.5%
10.	Dollar amount of interest paid:	$56,009

11. Reasons for late payments:

Codes		Number of Interest Payments	Percentage of Frequency
A.	Contract not available in paying office	55	1%
B.	Receiving documentation delay by receiving activity	6,317	68%
C.	Delayed to obtain required Certification of Invoice	80	1%
D.	Delayed by paying office	826	9%
E.	Military exercise	0	0

F.	Discount taken in error	1	0
G.	Failed to notify vendor of defective invoice	2	0
H.	ADP delay	12	0
J.	Postal service delays	729	8%
K.	All others	1,212	13%
	Totals	9,234	100%

PROMPT PAYMENT ACT REPORT

OCTOBER 1983

DSSN	UIC	#Invoices Subject to PPA	DOLLAR VALUE	#Paid 5 or more Days Prior to Due Date	DOLLAR VALUE	Number of Invoices Paid	TOTAL DOLLAR VALUE
5136	00146	1168	1,573,351.90	-0-	-0-	1721	31,304,384.70
5153	00263	483	2,555,863.00	-0-	-0-	500	2,642,363.00
5159	67004	8238	9,378,791.82	-0-	-0-	8238	9,378,791.82
5190	67001	7911	12,371,895.78	-0-	-0-	7953	12,401,454.77
5199	62204	971	1,654,261.70	-0-	-0-	1214	6,788,672.11
5755	67400	1185	5,045,794.43	-0-	-0-	1414	5,804,693.81
6091	62648	747	3,357,403.57	21	38,564.77	1007	24,253,390.27
6105	00264	3294	4,115,559.23	-0-	-0-	3370	4,182,610.20
6107	67290	64	26,785.13	-0-	-0-	73	51,406.07
6109	67025	235	314,101.84	-0-	-0-	271	322,743.96
6167	67443	7330	3,229,883.27	-0-	-0-	10272	4,616,048.95
6168	62974	455	1,570,562.43	-0-	-0-	524	3,313,323.42
6187	67446	2916	2,610,053.28	-0-	-0-	3829	6,102,267.53
6096	62613	224	2,354,813.31	-0-	-0-	388	3,407,856.26
6795	00318	3646	2,187,613.06	-0-	-0-	3877	2,625,189.10
6796	60050	2384	6,685,648.57	-0-	-0-	2744	7,048,594.09
6798	00243	1690	1,043,571.56	-0-	-0-	2220	1,813,547.20
6805	67026	-0-	-0-	-0-	-0-	192	127,268.36
6816	67399	1239	747,488.03	2	524.00	1439	2,022,783.01
TOTAL			60,823,441.91		39,088.77		128,207,388.63

APPENDIX D

REPORT FORMAT FOR APPROPRIATED FUNDS

Paying activity name:

Unit Identification Code:

Month and year:

	Number of invoices paid	Dollar value
Totals for activity:		
Subject to PPA:		
Paid 5 or more days prior to due date:		

Comments (optional):

APPENDIX E

Disbursing Station Symbol Number - DSSN

5136: Cherry Point, North Carolina

5153: Paris Island, South Carolina

5159: Albany, Georgia

5190: Camp LeJuene, North Carolina

5199: Barstow, California

5755: Camp Butler, Okinawa

6091: HDQTRS Marine Corps, Arlington, Va.

6105: MCDEC, Quantico, Va.

6107: Millington, Tennessee

6109: Camp Smith, Hawaii

6167: Marine Corps Finance Center, Kansas City, Kansas

6168: Yuma, Arizona

6198: New River, North Carolina

6795: Kanehoe Bay, Hawaii

6096: Iwakuni

6796: El Toro/Santa Ana California

6798: San Diego, California

6805: Norfolk, Virginia

6816: 29 Palms, California

APPENDIX F

ACCOUNTING CLASSIFICATIONS FOR INTEREST PAYMENTS

Type of Payment	(1)	(2)	(3)	(4)	(5)	(6)	(7)
USMC	17*	1106	2720	000	0027	7	00027
	(8)	(9)	(10)				
	2D	XXXXXX	XXXXXX				

(1) Designates the Department of the Navy. The * indicates the last digit of the fiscal year. For interest payments, the fiscal year cited will be the fiscal year current at the time of payment.

(2) Indicates major appropriation.

(3) Subhead of major appropriation.

(4) Object classification data reported as prescribed in NAVCOMPT Manual paragraphs 027003 and 027004.

(5) Bureau control number.

(6) Subhead of allotment.

(7) Authorizing activity - 000027 indicates Marine Corps Headquarters.

(8) Type transaction code.

(9) UIC of activity responsible for late payment.

(10) Reason code and invoice count. The reason code will be entered in the first position of the cost code field. Enter an invoice count in the second and third positions

of the cost code field that will indicate the number of invoices to which the amount applies. If an interest payment includes a total of five invoices, the second and third position of the cost code field would reflect "05".

APPENDIX G

REPORT ON NONAPPROPRIATED FUNDS
(LFE)

Paying Activity Name CMC (LFE)

Fiscal Year: 1983

1.	Number of invoices paid:	253,893
2.	Dollar value of all payments:	$332,810,396.08
3.	Number of vouchers paid early:	150
4.	Percentage of invoices paid early:	0.05%
5.	Dollar value of early payments:	$5,169.45
6.	Number of invoices paid late:	397
7.	Percentage of invoices paid late:	0.16%
8.	Dollar amount of interest paid:	$5,866.65

9. Reasons for late payments:

Codes		Number/ Frequency of Interest Payments	Dollar Value of Interest Payments
A.	Contract not available in paying office	1/ 0	$ 5.58
B.	Receiving documentation delay by receiving activity	315/80%	3,005.98
C.	Delayed to obtain required Certification of Invoice	2/ 0	21.67
D.	Delayed by paying office	67/17%	1,018.91
E.	Military exercise	0/ 0	0.0
F.	Discount taken in error	2/ 0	587.31

G.	Failed to notify vendor of defective invoice	0/ 0	0.0
H.	ADP delay	0/ 0	0.0
J.	Postal service delays	0/ 0	0.0
K.	All others	10/ 3%	1,227.20
		397/100%	$5,866.65

APPENDIX H

REPORT ON NONAPPROPRIATED FUNDS
(MSF)

Paying Activity Name: CMC Morale Support Division for Category II, III, V, and VII Funds

Fiscal Year: 1983

1.	Number of invoices subject to PPA:	41,889
2.	Dollar value of payments subject to PPA:	$45,388,245
3.	Number of invoices paid early:	6,538
4.	Percentage of invoices paid early:	15.6%
5.	Dollar value of early payments:	$357,072
6.	Number of invoices paid late:	18
7.	Percentage of invoices paid late:	0.04%
8.	Dollar amount of interest paid:	$585.16

9. Reasons for late payments:

Codes		Number/ Frequency of Interest Payments	Dollar Value of Interest Payments
A.	Contract not available in paying office	0/ 0	0.0
B.	Receiving documentation delay by receiving activity	2/11%	$ 39.37
C.	Delayed to obtain required Certification of Invoice	0/ 0	0.0
D.	Delayed by paying office	16/89%	545.79
E.	Military exercise	0/ 0	0.0

F.	Discount taken in error	0/ 0	0.0
G.	Failed to notify vendor of defective invoice	0/ 0	0.0
H.	ADP delay	0/ 0	0.0
J.	Postal service delay	0/ 0	0.0
K.	All others	0/ 0	0.0
	Totals	18/100%	$585.16

APPENDIX I

DEPARTMENT OF THE NAVY
BILL PAYING PERFORMANCE

DEPARTMENT OF DEFENSE

INTEREST PAYMENTS - BILLS PAID EARLY

1 OCT 82 - 30 JUN 83

NAVY	$844K
DLA	88K
ARMY	78K
AF	33K
OTHER	3K
	$1,046K

INTEREST

EARLY PAYMENTS

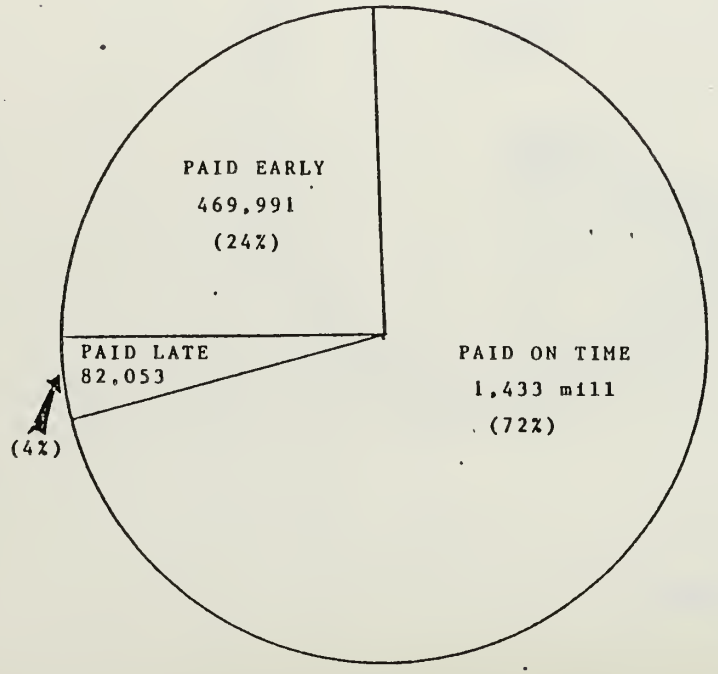
SOURCE: OASD(C)

NAVY (LESS CMC) BILL PAYING DISTRIBUTION - YTD JULY 1983

TOTAL NUMBER BILLS PAID - 3.5 MILLION

(NUMBER NOT SUBJECT TO ACT - 1.5 MILLION)

NUMBER SUBJECT TO ACT - 2.0 MILLION

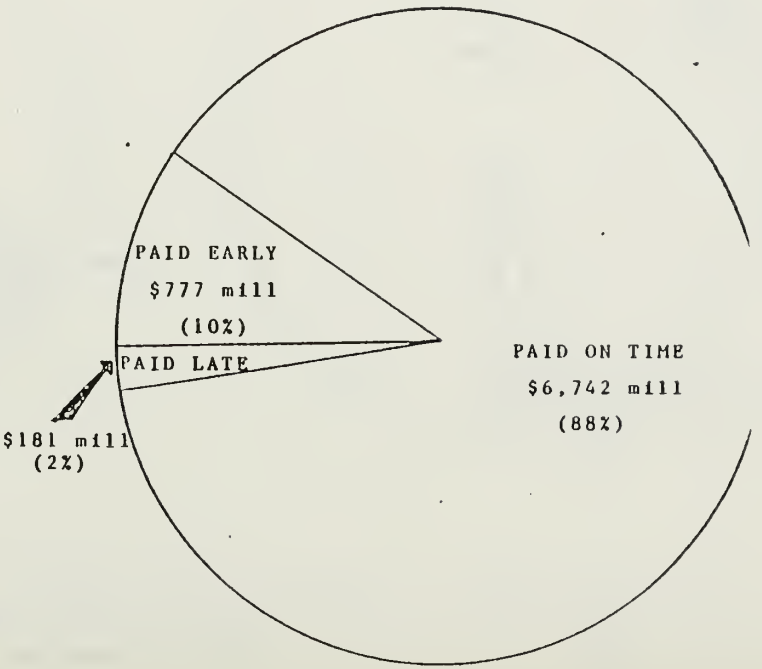


NUMBER OF BILLS SUBJECT TO THE ACT

TOTAL VALUE BILLS PAID - $22.4 BILLION

(VALUE NOT SUBJECT TO ACT - $14.7 BILLION)

VALUE SUBJECT TO ACT - $7.7 BILLION



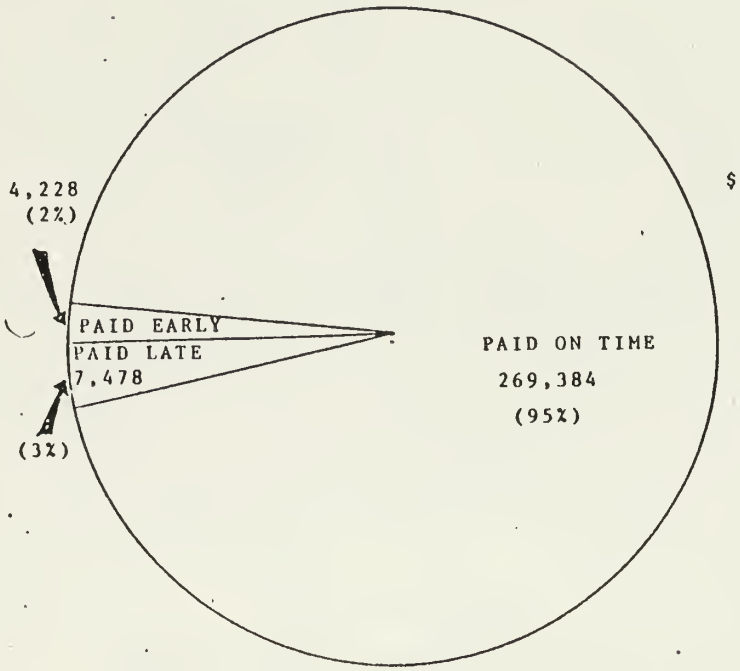
VALUE OF BILLS SUBJECT TO THE ACT

MARINE CORPS BILL PAYING DISTRIBUTION - YTD JULY 1983

TOTAL NUMBER BILLS PAID = 476,405

(NUMBER NOT SUBJECT TO ACT = 195,315)

NUMBER SUBJECT TO ACT = 281,090

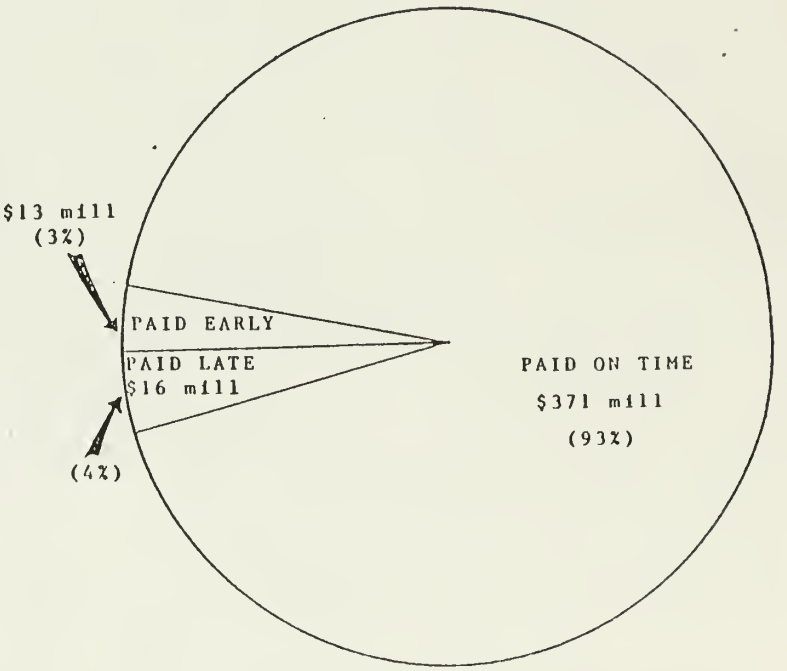


NUMBER OF BILLS SUBJECT TO THE ACT

TOTAL VALUE BILLS PAID = $1.3 BILLION

(VALUE NOT SUBJECT TO ACT = $.9 BILLION)

VALUE SUBJECT TO ACT = $.4 BILLION



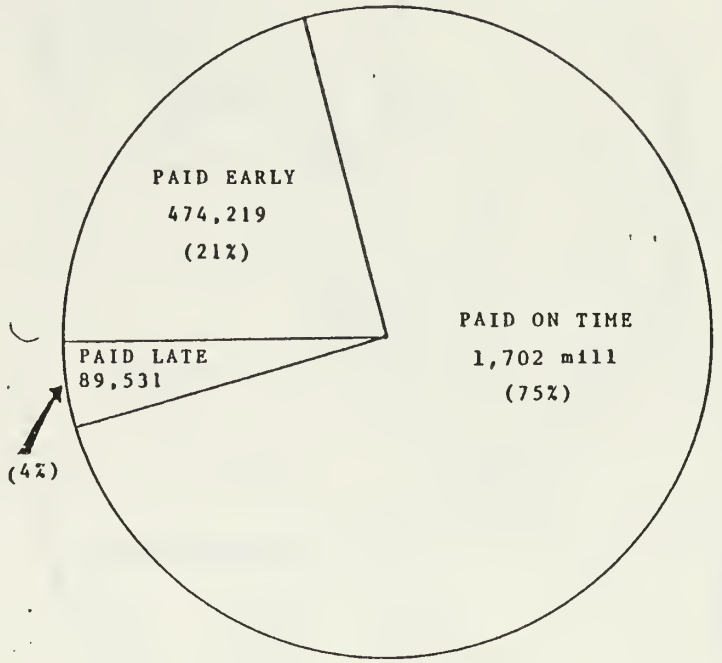
VALUE OF BILLS SUBJECT TO THE ACT

TOTAL NAVY BILL PAYING DISTRIBUTION - YTD JULY 1983

TOTAL NUMBER BILLS PAID = 4.0 MILLION

(NUMBER NOT SUBJECT TO ACT = 1.7 MILLION)

NUMBER SUBJECT TO ACT = 2.3 MILLION

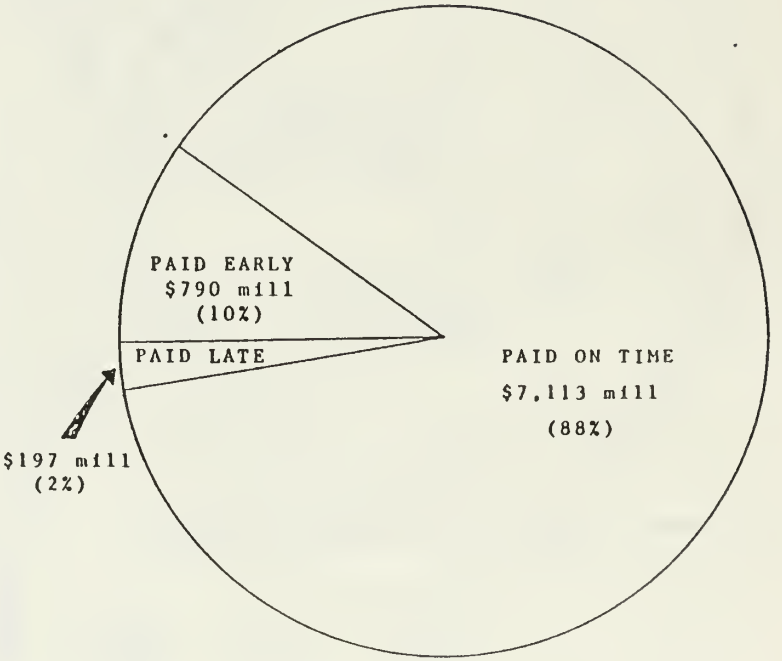


NUMBER OF BILLS SUBJECT TO THE ACT

TOTAL VALUE BILLS PAID = $23.7 BILLION

(VALUE NOT SUBJECT TO ACT = $15.6 BILLION)

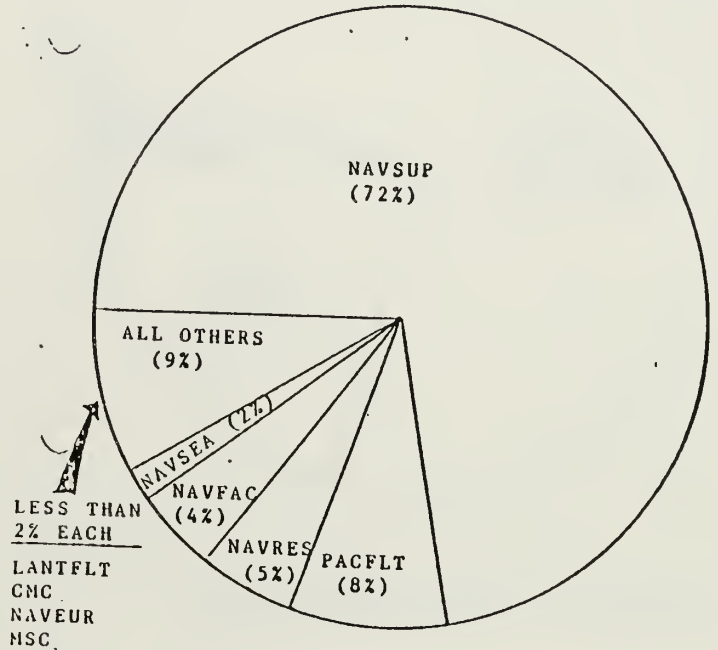
VALUE SUBJECT TO ACT = $8.1 BILLION



VALUE OF BILLS SUBJECT TO THE ACT

NAVY-WIDE EARLY PAYMENT PERFORMANCE - YTD JULY 1983

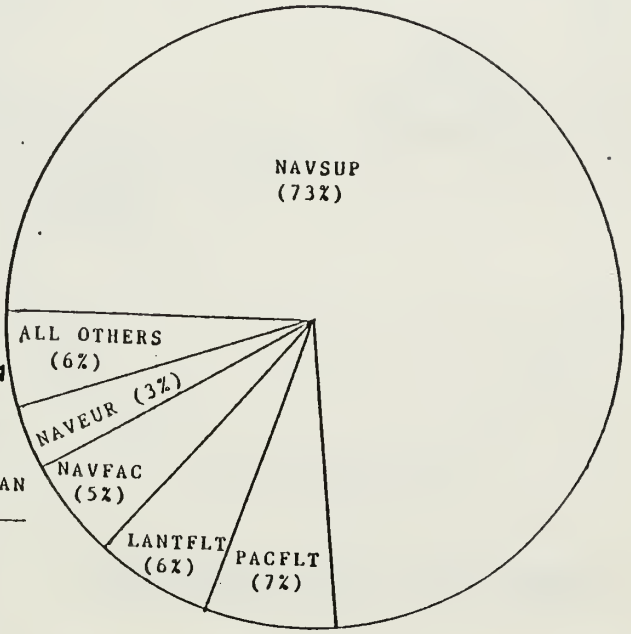
TOTAL NUMBER OF BILLS PAID EARLY = 474,219



LESS THAN 2% EACH

LANTFLT
CMC
NAVEUR
MSC
NAVAIR
NAVMAT
AA-USN
CNET

TOTAL VALUE OF BILLS PAID EARLY = $790 MILLIO

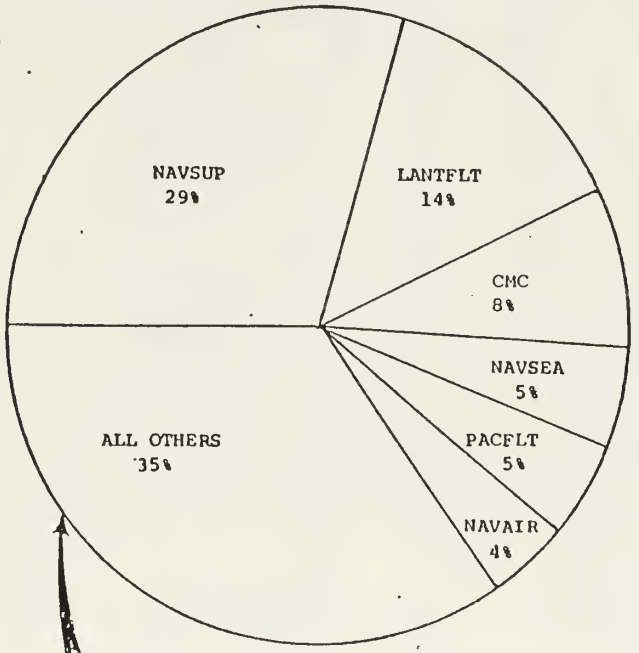


LESS THAN 3% EACH

NAVRES
NAVSEA
CMC
MSC
AA-USN
NAVMAT
NAVAIR
CNET

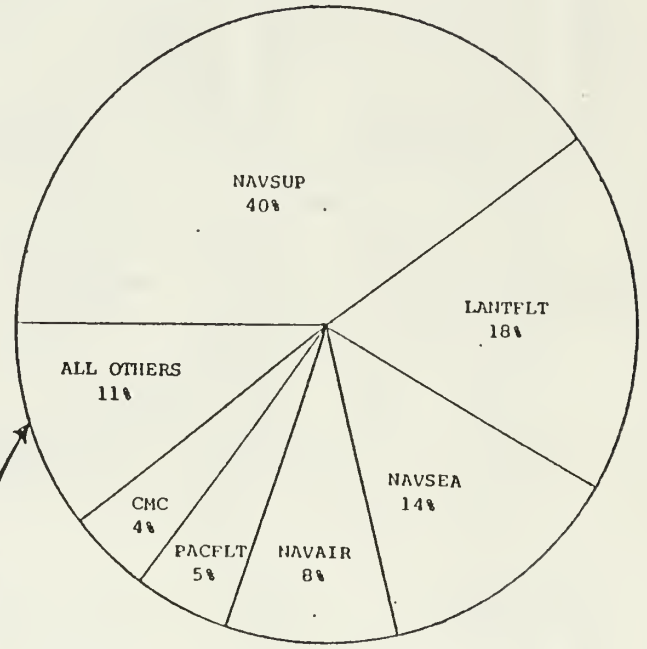
NAVY-WIDE LATE PAYMENT PERFORMANCE - YTD JULY 1983

TOTAL NUMBER OF INTEREST PAYMENTS = 89,531



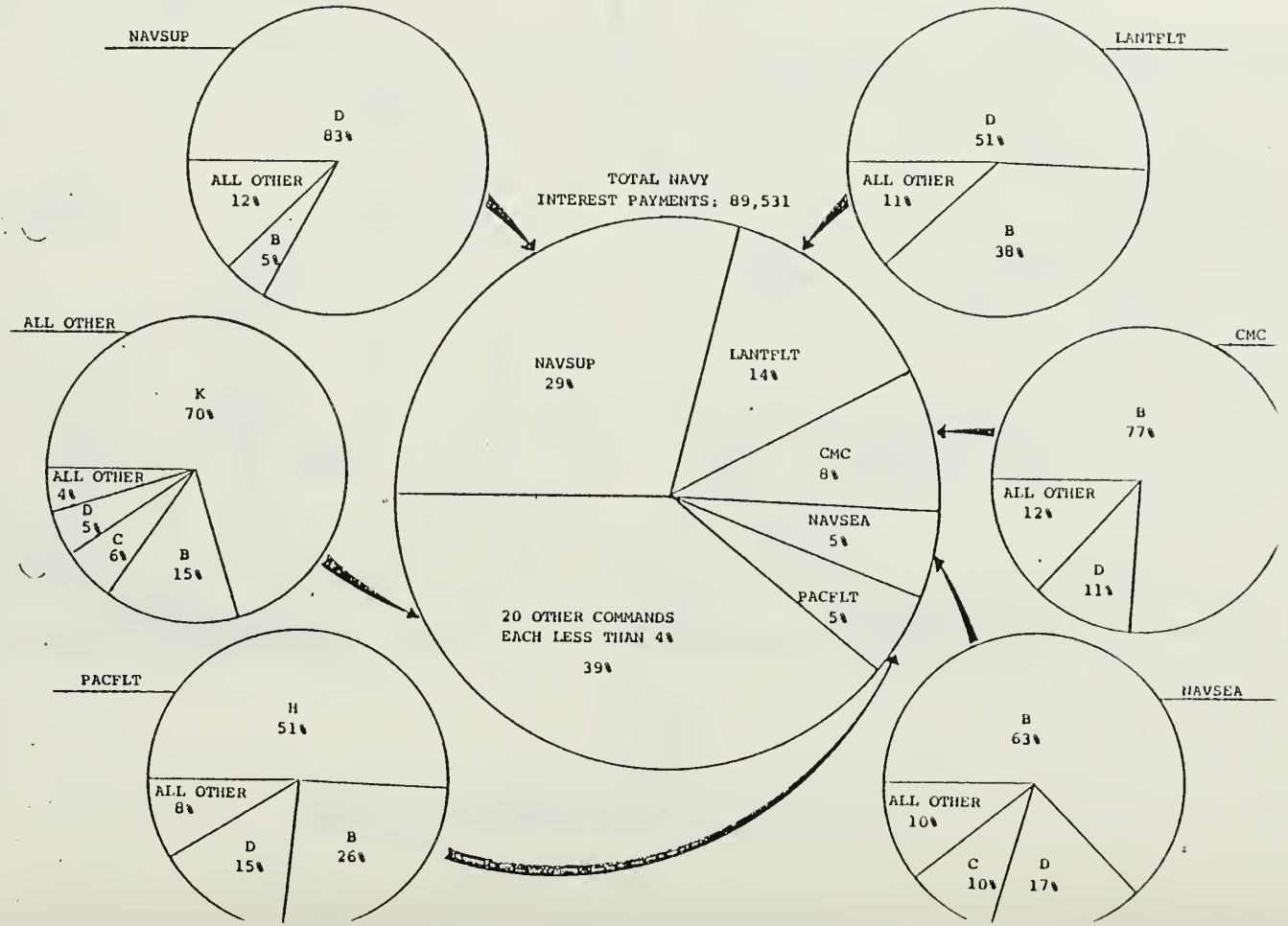
NAVMAT	NAVELEX	AA-USN
CNET	OCEANAV	NCPC
NAVRES	NAVTELCOM	NAVINTCOM
NAVDAC	SECGRU	NAVEUR
NAVPERS	BUMED	SSPO
CNO	MSC	UNKNOWN
NAVFAC	CNR	

TOTAL VALUE OF INTEREST PAYMENTS = $1.1 MILLION



NAVFAC	CNO	NAVINTCOM
NAVDAC	NAVTELCOM	NCPC
NAVMAT	OCEANAV	NAVEUR
CNET	SECGRU	SSPO
NAVRES	MSC	BUMED
NAVELEX	AA-USN	UNKNOWN
NAVPERS	CNR	

NAVY-WIDE LATE PAYMENT DISTRIBUTION BY MAJOR COMMAND & REASON - YTD JULY 1983



APPENDIX J

DEPARTMENT OF THE NAVY RECOMMENDATIONS AND TASKINGS

Recommendation	Tasking
1. Increased management attention to all aspects of the Prompt Payment Act by getting the word out as to the seriousness of the problems in the Navy.	All Management Commands
2. More timely feedback to each major claimant/systems command on all early and late payment data.	NCF-2
3. Closer examination of Reason Codes used to report late (interest) payments.	All Management Commands
4. Charge interest payments to the operating budget of major claimant/ systems command responsible for late payments.	CNO (OP-92B) (NCB-5)
5. Enforce current receipt and acceptance standards.	All Management
6. Explore establishing a disbursing officer at selected receiving activities.	NCF-4
7. Follow-up on legislative efforts to authorize certifying officers.	NCF-4

8. Explore the use of message certifications (for receipt of goods) for selected units.	NCF-4
9. Encourage disbursing officers to have meetings with receiving/purchasing/ contracting activities, especially receiving activities, to explain the Department of the Navy's cash management position on the Prompt Payment Act.	All Management
10. Develop clarifying instructions on early payment reporting.	NCF-4 and NCF-2
11. Explore expansion of reason codes to identify instances when an obligation is not reported in IDA.	NCF-4 and NCF-6
12. Explore tasking bill paying activities to provide training at the FAAs.	NCF-4

LIST OF REFERENCES

1. House of Representatives; 97th Congress, 2nd Session, Report No. 97-461, Prompt Payment Act, Washington, D.C., dated March 23, 1982.

2. Memorandum, DON Meeting on Performance Under the Prompt Payment Act, Department of the Navy, Office of the Comptroller, Washington, D.C., dated October 3, 1983.

3. Commandant of the Marine Corps, Appropriated Funds Prompt Payment Act Report, dated October 26, 1983.

4. Public Law 97-177, Prompt Payment Act, dated May 21, 1982.

5. Department of the Navy; Office of the Comptroller, NAVCOMPT NOTICE 7200, Prompt Payment Act, Washington, D.C., dated February 7, 1983.

6. Department of the Navy; Navy Accounting and Finance Center, NAFC-431, Prompt Payment Act, Washington, D.C., dated November 3, 1983.

7. Delinquent Payment Act of 1981, Report of the Committee on Government Affairs, United States Senate, Report No. 97-802, U.S. Government Printing Office, Washington, D.C., 1981.

8. Circular No. A-125, Prompt Payment, Executive Office of the President, Office of Management and Budget, Washington, D.C., dated August 19, 1982.

9. Assistant Secretary of Defense Memorandum, Prompt Payment Act, Public Law 97-177, Washington, D.C., dated September 16, 1982.

10. Marine Corps Finance Center, Kansas City, Kansas, telephone interview, Monterey, California, February 1984.

11. Headquarters Marine Corps; Fiscal Division, Washington, D.C., telephone interview, Monterey, California, April 1984.

12. Nonappropriated Funds (LFE), Washington D.C., telephone interview, Monterey, California, May 1984.

13. Nonappropriated Funds (MSF), Washington D.C., telephone interview, Monterey, California, June 1984.

14. Marine Corps On-Site Disbursing Inspection Team, Camp Pendleton, California, telephone interview, Monterey, California, May 1984.

15. Secretary of the Navy, ALNAV, Problems in Implementation of the Prompt Payment Act, PL 97-177, Washington, D.C., dated June 1983.

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